

## Regione Puglia “Bank-Enterprise Adriatic Observatory Project” Brief for Albanian Partners

September 2009

### I. SPI Albania Context

During the last 18 months SPI Albania<sup>1</sup>, the public-private partnership launched by Bank of Albania and the Association of Albanian Banks in January 2008, has contributed to the implementation of a number of projects that are fully in line with its own mission of accelerating financial sector modernization.

To mention a few: (i) the recent enactment of two legislative initiatives (Civil Procedural Code and Bailiff), (ii) the preparatory work for IFRS implementation, (iii) the thorough analytical project on the Reduction of Cash Transactions, (iv) the new comprehensive but also market-friendly Bank of Albania regulation on the liquidity risk management, (v) the strategy on consumer financial education, are a powerful demonstration of the tangible results that can be achieved for Albania's financial sector through the SPI Albania public-private partnership. The novelty of the process supported by SPI consists of responding directly to the needs and opportunities of banking institutions in their daily operations and to Bank of Albania's desire to receive accurate market feedback on the likely transmission mechanism of proposed regulations on banking sector practices.

This SPI Albania work was executed by more than one hundred professionals from banks and public institutions that worked in the context of joint working groups, thus establishing for the first time a new culture of collaborative work. The solutions and recommendations are reached through an open and structured consensus building process among experts, based on the EU's Better Regulation methodology.

As explained in the reference below, the supporting program to SPI Albania activities concludes at the end of February 2010. In the meantime, the multiplicity of issues<sup>2</sup> affecting the efficient functioning of the financial sector in Albania demands for continuous technical support, including the highly cost-efficient and locally-managed version that SPI Albania has introduced. This need has been clearly articulated by the key players in the market, starting with Bank of Albania. As a direct result of the last year discussions and several communications between Regione Puglia, Bank of Albania and Association of Albanian Banks, a new project was developed, with support from the Convergence Program, to ensure continuity of these promising and useful activities. This project could be eligible for significant EU funding for the 2010-2012 period.

### II. Regione Puglia's Project Summary

Regione Puglia, who has large experience in attracting EU project funding, is proposing a project designed around the main objective to identify the main causes of inefficient financial intermediation, particularly to local Small Medium Enterprises (SMEs) and to propose practical solutions that would

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<sup>1</sup>Special Projects Initiative (SPI) Albania, consist of a small and efficient two-person full-time SPI Secretariat, hosted in the AAB premises. This technical assistance project is financed by the World Bank's Convergence Program in association with Regione Puglia through February 2010.

<sup>2</sup> SPI Albania has inventoried about 40 reform opportunities that would improve the operating environment for banks in Albania.

#### **SPI Albania Secretariat**

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facilitate both banks' business and access to finance by enterprises. In Italy, including in Regione Puglia, these analytical activities are conducted by institutions called "Bank-Enterprise Observatory".

The project will consist of three components: (a) analytical studies (of main interest to Bank of Albania); (b) preparation of financial modernization proposals (i.e., the current SPI Albania activity); (c) a banking training center (of main interest to the Association of Albanian Banks).

The project activities will be conducted under the same public-private governance framework successfully experimented by the SPI Albania partnership, in terms of (a) joint business plan definition; (b) collaborative execution of technical activities and (c) joint monitoring and implementation support. Hence, it is legitimate to see the proposed Regione Puglia's sponsored project as the natural continuation and extension of the present SPI Albania activities.

### **III. Benefits for the Association of Albanian Banks**

Through the proposed Regione Puglia-sponsored project, AAB will have access to considerable amount of EU funding over a three-year period (of the order of about Euro 1 million) to finance reform work to improve the operating conditions of its members and to build a much-needed banking training center.

In addition, through the expected Bank of Albania participation, AAB will continue to enjoy a structured framework for cooperation with public authorities, along the successful model piloted by SPI Albania.

### **IV. Benefits for Bank of Albania**

From an institutional perspective, the proposed project further consolidates and deepens the historically strong partnership between Regione Puglia and Albania's public institutions. Albania brings to the project the track record of an exemplary implementation of the SPI Albania activities which will be a strong selling point for the Regione Puglia's project and will allow Albania to play a leading role in its further regional expansion. This fits well within Bank of Albania's regional cooperation strategy.

The project also will support Bank of Albania's plans to strengthen its capabilities extend its economic surveillance activities to structural developments in the real economy beyond its present monetary policy core focus.

Lastly, it will continue to allow Bank of Albania to receive analytical support and structured market feedback in the preparation of key regulatory actions where accurate understanding of the likely market impact is a key condition for regulatory effectiveness, in line with the EU Better Regulation recommendations.

### **IV. Other Considerations**

Regione Puglia envisages to involve also partners from Montenegro in this project. AAB and Bank of Albania enjoy a unique position to promote a regional approach and can play a very useful role to involve their peer institutions in Montenegro in this project.

#### **Attachments:**

1. Joint Bank of Albania-Association of Albanian Banks Letter
2. Bank of Albania SPI Albania Press Release January 2008

**Brief prepared by Anuela Ristani and Greta Minxhozi, SPI Secretariat**





REPUBLIC OF ALBANIA  
BANK OF ALBANIA  
GOVERNOR



ALBANIAN ASSOCIATION OF BANKS  
CHAIRMAN

No. 154 ref

Tirana, January 9<sup>th</sup>, 2008

Mr. Biagio Bossone  
Convergence Program  
c/o World Bank Rome Office

Dear Mr. Bossone,

We refer to our discussions about the need to accelerate financial sector modernization in Albania through the establishment of a dedicated structure that would promote stronger collaboration between authorities and market participants to find workable solutions, based on comprehensive analyses and international experience.

We believe that the SPI Albania public-private structure that you have described could stimulate financial sector modernization. We will work with the Convergence Program to establish it and make it operational with the greatest diligence.

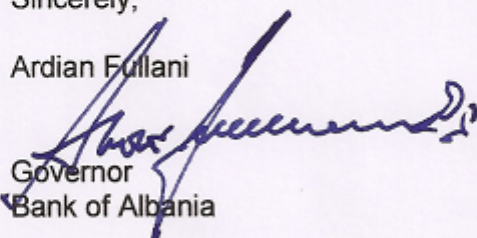
Consistent with Bank of Albania's long-standing commitment to promoting regional collaboration, we believe that SPI Albania should be designed with an objective to support the creation of similar units in our neighboring countries. Bank of Albania will do its best to facilitate contacts with relevant authorities in neighboring countries to have a coordinated development of structures that promote convergence of banking standards and practices towards those of the more advanced EU countries. The Albanian Association of Banks will work with its sister associations in a coordinated fashion.

We strongly support the Convergence Program's desire to seek EU institutional and funding support as presently available under a project managed by Regione Puglia.


We consider this proposed approach, which places significant importance on collaboration among country and regional stakeholders, to be the most appropriate one to support Albania's modernization needs at this stage of its development.

Sincerely,

Ardian Fullani

  
Governor  
Bank of Albania

Edvin Libohova

  
Chairman  
Albanian Association of Banks

**BANK OF ALBANIA  
FOREIGN RELATIONS, EUROPEAN INTEGRATION AND COMMUNICATION  
DEPARTMENT**

**PRESS RELEASE**

**SPI Albania and SPI Adriatic Presentation, Bari, Italia**

PUBLICATION DATE 21.01.2008

On January 19th, the Puglia Region announced in Bari, Italy its support to the establishment in Tirana of SPI Albania – Special Projects Initiatives, a public-private partnership for the modernization of the Albanian financial sector.

At the press release held on this occasion were present the Governor of the Bank of Albania, Mr. Ardian Fullani, Deputy General Director for Banks Supervision at the Central Bank of Montenegro, Mr. Goran Knežević, the Governor of Puglia Region, Mr. Nichi Vendola, the World Bank representative, Mr. Biagio Bossone, the Albanian Association of Banks representative, Mr. Seyhan Pencapligil and the Director of the Italian-Albanian Centre for Economic and Social Research, Mr. Giovanni Ferri.



SPI Albania is promoted by, and will be managed with the assistance of, the Convergence Program, a program financed by the Italian Ministry of Economy and Finance and administered by the World Bank. The creation of SPI Albania fits in the broader SPI Adriatic, which is currently being developed with a view to promoting similar initiatives in Albania's neighbouring countries. Established in Tirana, SPI Albania will catalyze cooperation among financial authorities, the local banking community, financial services users and civil society in designing and implementing a modern framework of regulatory reforms. These will be aimed to improve financial intermediation (with particular emphasis on the needs of small/medium size firms, households and local infrastructure) and to enhance its impact on the sustainability and inclusiveness of Albania's economic development process.

In his speech, the Governor of the Bank of Albania, Mr. Ardian Fullani, expressed his gratitude to the Puglia Region for supporting this initiative. Mr. Fullani considered SPI Albania as very useful to promote the modernization of the Albanian financial sector. "Consistent with the Bank of Albania's long-standing commitment to promoting regional collaboration, the Bank of Albania will do its best to facilitate contacts with relevant authorities in neighbouring countries to have a coordinated development of structure that promotes the convergence of banking standards and practices towards those of the more advanced EU countries".

In conclusion, Mr. Fullani highly appreciated this project and considered it as a symbol of the heightened attention of the European Union toward the efforts by the countries in the Adriatic region to accelerate their integration into the union.

SPI Albania is among the priority initiatives of the Italian-Albanian Centre for Economic and Social Research, recently established by the Puglia Region to incubate regional development cooperation projects to be expanded with the support from the European Union.